

Message Text

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TAGS: UNDP, EAID

SUBJECT: UNDP 21ST GOVERNING COUNCIL - PLENARY DISCUSSIONS OF
AGENDA ITEM 9(A), FINANCIAL REVIEW OF UNDP RESOURCES,
1972-1976; AND ITEM 17, FINANCIAL RESOURCES AND RELATED PROGRAM
MATTERS

REF: (A) USUN 108; (B) USUN 129; (C) USUN 199

SUMMARY: THE PLENARY HAS COMPLETED 2-1/2 DAYS OF EXTREMELY
USEFUL AND GENERALLY CONSTRUCTIVE AIRING OF ISSUES RELATED
TO THE CURRENT FINANCIAL CRISIS OF UNDP AND THE ADMINISTRATOR'S
PROPOSALS TO DEAL WITH IT. MORSE'S EXTENDED REMARKS AT THE
OPENING OF THE DISCUSSION WERE WELL RECEIVED AND INDICATIONS
ARE THAT, WHILE THERE ARE CONSIDERABLE VARIATIONS OF VIEW ON
INDIVIDUAL UNDP PROPOSALS (PARA 30, DP/155), AUSTERITY MEASURES
AND PLANS FOR INCREASING AVAILABLE RESOURCES WILL BE APPROVED.
MOST DELEGATES REAFFIRMED THEIR FAITH IN THE BASIC SOUNDNESS
OF THE PROGRAM BUT EXPRESSED TEMPERED CRITICISM OF UNDP'S
MANAGEMENT/FINANCIAL PROCEDURES. THE DISCUSSION OF ITEMS 9(A)
AND 17 CONCLUDED ON JAN 22 WITH A DRAFT DECISION FOR COUNCIL
APPROVAL UNDER INFORMAL CONSIDERATION BY DELEGATIONS AND A U.S.
DRAFT HAVING BEEN TABLED INFORMALLY.

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1. IN VIEW OF THE CRUCIAL IMPORTANCE OF THESE ISSUES TO THE ENTIRE PROGRAM AND THE LACK OF CONSENSUS IN THE BUDGETARY AND FINANCE (B AND F) COMMITTEE, IT WAS DECIDED THAT THE CHAIRMAN OF B AND F SHOULD PRESENT AN ORAL REPORT TO THE PLENARY ON 20 JAN SUMMARIZING THE VIEWS EXPRESSED IN THE COMMITTEE DELIBERATIONS. IN THE DELEGATIONS VIEW, B AND F CHAIRMAN HEDEMANN (NORWAY) PRESENTED A FAIR AND OBJECTIVE ACCOUNT OF B AND F DELIBERATIONS ON ITEM 9(A) WITH REFERENCE TO THE CLOSELY-RELATED DISCUSSIONS OF ITEM 17.

2. HOWEVER, HEDEMANN'S REPORT WAS SUBJECT TO A LONG AND SCATHING ATTACK FROM THE SOVIET DELEGATE (MR. LISSOV) IN WHICH HE STATED THAT THE REPORT REPRESENTED THE VIEWS OF TWO OR THREE WESTERN DELEGATIONS, NOT THE SOCIALIST VIEW, WAS PREPONDERANTLY OBJECTIONABLE, AND COULD BE REFUTED IN DETAIL. HOWEVER, MANY DELEGATIONS HAVE SUBSEQUENTLY STRONGLY SUPPORTED THE HEDEMANN REPORT AND IT IS OUR VIEW THAT THE SOVIET ATTACK WAS LARGELY A CONSEQUENCE OF THE EXTENSIVE AIRING OF THE NON-CONVERTIBLE EAST EUROPEAN CURRENCY PROBLEM IN THE B AND F COMMITTEE AND PLENARY. SUBSEQUENTLY LISSOV AGAIN USED STRONG INVECTIVE AGAINST CHINA AND DEPUTY ADMINISTRATOR LINDSTROM, ACCUSING THE LATTER OF DOMINATING THE DISCUSSION. THE SOVIETS HAVE NOT EARNED MUCH SYMPATHY WITH THEIR TACTICS, WHICH ARE UNCHARACTERISTIC OF UNDP COUNCILS.

3. AMB MYERSON ADDRESSED THE PLENARY (TEXT TRANSMITTED IN REF C) STRESSING US INTEREST IN UNDP, OUR CONFIDENCE IN ADMINISTRATOR MORSE, AND THE FUNDAMENTAL REQUIREMENT THAT THE PROGRAMME BE PUT ON A SOUND FINANCIAL BASIS. HE SUGGESTED THAT STRONG EFFORTS SHOULD BE TAKEN IMMEDIATELY BY THE ADMINISTRATOR TO COLLECT ALL OVERDUE PAYMENTS AND CONTRIBUTIONS, AND TO FIND SOLUTIONS TO THE QUESTION OF NON-CONVERTIBLE CURRENCIES. AT THE SAME TIME DRASTIC STEPS TO REDUCE ADMINISTRATIVE COSTS SHOULD BE TAKEN. HE EMPHASIZED THE NEED FOR IMPROVED MANAGEMENT TECHNIQUES AND MORE ACCURATE FINANCIAL REPORTING FROM AGENCIES.

4. THE US STATEMENT WAS WELL RECEIVED BY THE ADMINISTRATOR AND BY MOST DELEGATIONS, INCLUDING SOMEWHAT UNEXPECTEDLY EGYPT AND INDIA. THIS ILLUSTRATES THAT THE G-77 ARE FAR FROM REACHING A CONSENSUS AMONG THEMSELVES ON A NUMBER OF ISSUES RELATING LIMITED OFFICIAL USE

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THE THE FINANCIAL SITUATION. THE ATTEMPT BY DEPUTY ADMINISTRATOR PATEL AND CERTAIN LDC DELEGATIONS TO PRESS A DRAFT COUNCIL DECISION CONCERNING FINANCIAL ISSUES ON THE REST OF THE G-77 BACKFIRED. ITS EEMS LIKELY THAT THE DRAFT WHICH WAS PREPARED AND TABLED INFORMALLY BY THE U.S. DELEGATION WILL MAKE AN IMPORTANT CONTRIBUTION TO THE COUNCIL DECISION ON THIS ISSUE.

5. ADMINISTRATOR MORSE IN HIS EXTENDED REMARKS ON THE FINANCIAL

CRISIS EMPHASIZED THAT THE UNDP HAD SUFFERED ONLY A "MOMENTARY SETBACK" CAUSED LARGELY BY "MECHANICAL FAILURES. THERE IS NO CRISIS OF CONFIDENCE IN THE UN SYSTEM, HE ASSERTED. HE POINTED TO THE DICHOTOMY BETWEEN PROGRAM PLANNING AND MANAGEMENT AND FINANCIAL PLANNING AND MANAGEMENT AND NOTED THAT HE INTENDED TO EMPHASIZE A BRINGING TOGETHER OF PROGRAM AND FINANCIAL MANAGEMENT. HE MENTIONED ADMINISTRATIVE ECONOMIES AND PROMISED THAT ANY PROGRAM CUTBACKS WOULD BE "CREATIVE AND SELECTIVE". MORSE'S REMARKS WERE WELL RECEIVED AND HE SEEMS OFF TO A GOOD START WITH THE COUNCIL.

6. IN THE SUBSEQUENT DISCUSSIONS, MOST DELEGATIONS SPOKE CONSTRUCTIVELY AND OFTEN VERY KNOWLEDGEABLY AS A RESULT OF THE THOROUGH AIRING OF THE ORGANIZATION'S FINANCIAL SITUATION WHICH HAD TAKEN PLACE IN THE B AND F SESSIONS. (REF A AND B). SOME HIGHLIGHTS OF THE DISCUSSIONS ON MAJOR ISSUES FOLLOW:

(A) STANDARD EXPERT COSTS - THE PROPOSED INCREASES IN STANDARD COSTS FOR 1975 AND 1976 SEEM ACCEPTABLE TO SOME DEVELOPED COUNTRIES BUT SUBJECT TO STRONG OBJECTION BY SOME OF THE G-77, PARTICULARLY REGARDING THE 1975 RETROACTIVE FEATURE. THE DECISION ON THIS QUESTION MAY WELL BE DELAYED UNTIL THE 22ND SESSION AS MANY SUGGESTED THAT IT REQUIRES FURTHER STUDY.

(B) NON-CONVERTIBLE CURRENCIES - THE PRESENTATIONS WERE LONG AND CONTENTIOUS ON THE PART OF THE SOCIALIST BLOC. THE WEO'S HAVE HOWEVER PICKED UP SUBSTANTIAL SUPPORT FROM A NUMBER OF G-77 ON CONVERTIBILITY. THE SOCIALISTS, WHILE STRONGLY DEFENDING THEIR METHOD OF CONTRIBUTION, AND CLAIMING THAT THIS IS A FALSE ISSUE, HAVE BEGUN TO SHOW SIGNS OF MOVEMENT TOWARD SOME ACCOMMODATION. STRONG EFFORTS BY US AND OTHER WEO'S OVER PAST WEEKS APPEAR TO BE PAYING OFF.

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(2)GKC) OPERATIONAL RESERVE - THERE DOES NOT APPEAR TO BE SUBSTANTIAL SUPPORT FOR THE PROPOSED INCREASE IN THE SIZE OF THE OPERATIONAL RESERVE TO \$400 MILLION. SOME SUGGEST THAT A LOWER FIGURE, I.E., \$150 MILLION, WHICH IS TRULY LIQUID SHOULD BE ADEQUATE. FEAR THAT A SUBSTANTIAL INCREASE IN THE OPERATIONAL RESERVE WOULD CUT INTO FUNDS AVAILABLE FOR IPF'S IS BEHIND MUCH OF THE OPPOSITION.

(D) PAYMENT OF ARREARAGES - THE ADMINISTRATOR HAS RECEIVED STRONG SUPPORT FOR THE FULL PAYMENT OF PLEDGES, INCLUDING ADVANCE PAYMENTS. HOWEVER, NOT MANY DEVELOPING COUNTRIES HAVE BEEN PARTICULARLY FORTHCOMING ON THE OTHER ARREARAGES. A NOTEABLE EXCEPTION IS IRAN, WHICH HAS INDICATED THAT IT WILL PAY THE \$6 MILLION PLUS OWED UNDER COST SHARING ARRANGEMENTS.

(E) ASSESSED COSTS - THE US HAS STRONGLY SUPPORTED THE PAYMENT OF ARREARS IN ASSESSED COSTS AND AN INCREASE OF LDC PLEDGES IN 1977 TO OFFSET THE DROPPING OF ASSESSED COST ALLOCATIONS. SUPPORT ON THIS QUESTION HAS COME FROM WEO'S BUT THE LDC'S HAVE NOT SO FAR RESPONDED.

(F) BORROWING AUTHORITY - SHORT-TERM BORROWING AUTHORITY FOR THE ADMINISTRATOR AS A MORE EFFICIENT TOOL TO OVERCOME LIMITED OFFICIAL USE

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TEMPORARY CASH SHORTFALLS THAN DRASTIC AND COSTLY PROGRAM COSTS HAS BEEN MENTIONED FAVORABLY BY A NUMBER OF DELEGATIONS (INCLUDING THE US), BUT THIS HAS NOT BECOME A MAJOR ISSUE.

(G) ADMINISTRATIVE COST SAVINGS - VERY SUBSTANTIAL SUPPORT HAS BEEN GIVEN TO THE ADMINISTRATOR'S SUGGESTIONS TO TIGHTEN THE SHIP AND KEEP A LEAN ORGANIZATION. THERE ARE DIFFERING VIEWS ON WHERE THE CUTS MIGHT BEST BE MADE. MORSE'S SUGGESTION OF A CONSOLIDATION OR ELIMINATION OF A NUMBER OF RESIDENT REP FIELD OFFICES IS NOT LIKELY TO BE ACCEPTABLE TO THE G-77. HOWEVER, IF THE LDC'S COULD BE PERSUADED TO PICK UP MORE OF THE COSTS OF FIELD OFFICES, SOME RESULTS COULD BE ACHIEVED.

7. MANY OF THE G-77 UNDERSTANDABLY ARE MUCH CONCERNED WITH THE IMPACT OF SHORT AND LONG-TERM MEASURES ON THEIR OWN INDIVIDUAL PROGRAMS AND WITH DETAILS OF THE METHODS TO

OVERCOME FINANCIAL CRISIS. A NUMBER OF COUNTRIES AND MEMBERS OF THE UNDP SECRETARIAT ARE OF THE VIEW THAT THE AUSTERITY MEASURES ORDERED BY ADMINISTRATOR LATE LAST YEAR ARE TOO TOUGH AND WILL GUT THEIR PROGRAMS. AS A RESULT THE FIRST DRAFT OF THE PROPOSED COUNCIL DECISION FLOATED BY CERTAIN G-77 MEMBERS WITH THE HELP OF PATEL EMPHASIZED THE FULL MAINTENANCE OF THE EXISTING PROGRAM WITH LITTLE LEEWAY FOR A SLOWDOWN IN DELIVERY OR A DELAY OF NEW PROJECTS. THE US DELEGATION WILL STRIVE TO GIVE THE ADMINISTRATOR MAXIMUM FLEXIBILITY DURING THE NEGOTIATIONS ON THE COUNCIL DECISION WITH RESPECT TO FINANCIAL ISSUES.

8. LIKEWISE THE G-77 ARE VERY CONCERNED AT THE IMPACT OF THE FINANCIAL CRISIS ON THE LEVEL OF THE TOTAL PROGRAM AND OF THE IPF'S FOR NEXT CYCLE. HOWEVER THERE IS A GROWING FEELING THAT THE 21ST COUNCIL IS NOT THE MOST PROPITIOUS TIME TO ESTABLISH FIRM PROGRAM LEVELS FOR THE 1977-81 PERIOD. THE POSSIBLE OUTCOME IS AN INTERIM DECISION ON IPF'S BY THIS COUNCIL WITH ONE OR MORE REVIEWS AT LATER COUNCILS BEFORE THERE IS A FIRM ESTABLISHMENT OF PROGRAM LEVELS. THE NORWEGIANS HAVE PROPOSED "ROLLING IPF'S", IMPLYING AN ANNUAL REVIEW OF SPENDING LEVELS FOR THE FOLLOWING YEAR. THIS WILL BE A MAJOR ISSUE IN DISCUSSIONS OF AGENDA ITEM 5, NOW UNDERWAY.

9. AT THE CONCLUSION OF DISCUSSION ON ITEMS 9(A) AND 17 THE LIMITED OFFICIAL USE

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PRESIDENT SUGGESTED AND THE COUNCIL AGREED TO INTENSIFY AND EXPAND INFORMAL CONSULTATIONS IN ORDER TO BE ABLE TO REACH "DECISIONS IN KEEPING WITH THE GENERAL FEELINGS OF THE MEMBERS." SUCH CONSULTATION ARE UNDERWAY AND A US DRAFT (SEE PARA 4 ABOVE) AS WELL AS A DRAFT FROM THE UK AND A SECOND G-77 DRAFT ARE UNDER REVIEW.
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